

# RECOMMENDATIONS FOR A SUSTAINED ECONOMIC RECOVERY



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Commons Standing Committee on Finance by  
the Canadian Community Economic  
Development Network

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### ***The Canadian Community Economic Development Network***

This brief has been prepared by the Canadian Community Economic Development (CED) Network for the House of Commons Standing Committee on Finance as part of its consultations in preparation for the 2012 federal budget. The Canadian CED Network is a national association of community organizations, co-operatives, credit unions, foundations, municipalities and practitioners working to enhance the social, economic and environmental conditions of Canada's communities. We have several hundred member organizations in every province and territory inclusive of urban, rural, northern and Aboriginal community settings. Our head office is in Victoriaville, Québec, with regional staff and member committees throughout Canada. Community Economic Development is citizen-led action to enhance the social and economic conditions of their communities on an integrated and inclusive basis, reducing poverty, unemployment and social disadvantage by building assets and creating opportunities.

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## Executive Summary

Governments are looking for ways to support families and children, to reinforce learning and innovation, and to encourage community involvement in an era of fiscal restraint. With population aging increasing pressures on the labour market, growing health care costs straining budgets and initiatives to reduce carbon emissions prompting economic shifts, the need for cost effective delivery of essential goods and services to Canadians is reinforced.

Local communities are best placed to overcome their unique challenges, but government can help create the conditions for these communities – and the economies that sustain them – to succeed.

Community enterprises that take an asset-based development approach, supporting self-reliance and building individual and community resilience offer cost effective alternatives that can contribute to a sustained economic recovery in Canada, creating sustainable jobs and meeting today’s public policy challenges.

The federal government should support the development of community enterprises with a national youth work experience program, changes to procurement practices, and the creation of the Canada Impact Investment Fund.

## Background

After 20 years of steady decline, inequality and poverty rates increased rapidly between the mid-1990s and the mid-2000s reaching levels above the OECD average.<sup>1</sup> An Ontario Association of Food Banks report<sup>2</sup> edited by Don Drummond of TD Bank Financial Group, James Milway of the Institute for Competitiveness and Prosperity and Judith Maxwell estimated the cost of poverty to Canadian society at between \$24-billion and \$30-billion annually.

The costs of poverty can be reduced. A Scottish Parliament Finance Committee report estimated that 40 to 45% of public spending in Scotland is focused on

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<sup>1</sup> *Growing Unequal? Income Distribution and Poverty in OECD Countries, Country Note: Canada*, OECD, 2008, <http://www.oecd.org/dataoecd/44/48/41525292.pdf>

<sup>2</sup> Ontario Association of Food Banks, *The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario* <http://www.oafb.ca/assets/pdfs/CostofPoverty.pdf>

meeting 'failure demand' – short-term spending aimed at addressing social problems. One of its conclusions was that the adoption of preventative approaches, in particular ones which build on the active participation of service users and communities, would contribute significantly to making the best possible use of money and other assets.<sup>3</sup>

Social innovation in communities across Canada has produced grassroots solutions delivered by community enterprises that directly combat the roots of poverty while supporting labour market attachment of underutilized populations. Community enterprises create targeted economic opportunities for recent immigrants, women, Aboriginal populations, and people with disabilities among others. Community enterprises are creating new service delivery models in health and social services. Community enterprises are developing sustainable, local alternatives for the production of goods and services. Community enterprises can be gender responsive and tailored to reach a wide range of settings. To do this, they employ a variety of tools and strategies:

- new financing instruments for non-profits and community enterprises;
- a new wave of co-operative creation including multi-stakeholder co-operatives forging innovative solutions across a range of social and economic sectors;
- tailored approaches to integrating high risk populations into jobs through enterprises that combine earned revenue with progressive private and public funding sources;
- co-operatives and non-profit projects that increase housing affordability;
- community-based renewable energy projects and carbon reduction and energy savings strategies; and
- comprehensive community based approaches to community revitalization and poverty reduction<sup>4</sup>

The federal government is beginning to recognize the value of these approaches, and we commend HRSD's initiative to scale up the ***Immigrant Access Fund (IAF) Micro Loan Program*** in Calgary. The IAF provides small loans on a not for profit basis to assist immigrants in acquiring the Canadian accreditation and training they need to work in their field of expertise. These loans assist skilled immigrants in moving from low income "survival" jobs to jobs that better utilize their valuable knowledge and skills. Under very conservative assumptions, the program produces annual real rates of return of 33% or more. Returns are even higher for higher earning occupations such as health and engineering, which are 58% for nurses, 32% for engineers and more than 100% for physicians.<sup>5</sup>

Other initiatives across the country are demonstrating how targeted investments that strengthen individual resilience and self-reliance are a cost effective alternative that can reduce medium- and longer-term pressures on public expenditures.

Calgary's 10-year plan to **end homelessness** showed that it costs less to provide adequate housing and support than short-term and ongoing emergency and institutional responses. Most studies indicate that those people with the highest needs incur system costs of \$100,000 or more per year – two to three times higher than the cost of

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<sup>3</sup> <http://www.scotland.gov.uk/Resource/Doc/352649/0118638.pdf>

<sup>4</sup> More information and background can be found in the materials from the National Summit on a People-Centred Economy, which involved an extensive engagement process that consulted hundreds of Canadians throughout the country. <http://www.ccednet-rdec.ca/en/summit>

<sup>5</sup> *The Social Rate of Return to Investing in Character: An Economic Evaluation of Alberta's Immigrant Access Fund Micro Loan Program, 2010*, <http://www.iafcanada.org/pdfs/The%20Social%20Rate%20of%20Return%20to%20Investing%20in%20Character%20M arch%2031-10.pdf>

providing housing and support. Vancouver is now also following suit to eradicate street homelessness by 2015.<sup>6</sup>

A cost-benefit analysis of **Québec's training businesses** found that cost savings and increased government revenues generated \$96 million for provincial and federal coffers, creating a \$60-million net gain once the \$36 million in government contributions are factored in,<sup>7</sup>

The **Learning Enrichment Foundation (LEF)**, in Toronto fosters social and economic development through a broad program mix relevant to new Canadians: youth settlement and entrepreneurship, childcare provision and training, ESL and literacy, employment supports as well as training in food preparation, industrial and construction skills and computer technology. Follow-up evaluations show that over 99% of participants have higher before-tax income after their involvement with LEF. Increases range from 24% to 616%, with a median of 199%.<sup>8</sup>

Recognizing the benefits of supporting community enterprises that create blended social and economic impacts, the Government of Québec recently announced measures to increase **procurement** from collective and community enterprises.<sup>9</sup> These measures both better equip community enterprises to do business with governments, as well as promoting procurement from community enterprises within government departments and agencies.

Federal procurement could be used to strengthen community enterprises by including **Community Benefit Agreements (CBA)** in contracts over \$500,000. One successful example of a CBA was part of the construction for the 2010 Winter Olympic and Paralympic Games Athletes' Village. The agreement included the implementation of an employment and training program to offer entry-level construction jobs for inner-city residents leading to 110 inner-city residents being trained in construction jobs, with a 78% success rate of those placements. The Agreement also promoted the purchase of goods and services from inner-city businesses, leading to \$41.6 million of goods and services being purchased from inner-city businesses.<sup>10</sup>

The most comprehensive strategy for the federal government to support community enterprise would be through the implementation of a **CED policy framework**.<sup>11</sup> Modelled after the framework in place in Manitoba, a CED policy framework would include CED principles, CED objectives, and a CED lens. Establishing clear CED principles would guide government efforts toward developing relevant initiatives, and setting objectives would provide benchmarks for measuring progress. The CED lens is an effective tool supporting the application of the principles to achieve the objectives, and to review policies and programs for their alignment with the principles. This combination of measures would form the foundation for practical support of community enterprises. It would guide the

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<sup>6</sup> <http://www.theglobeandmail.com/news/national/british-columbia/bc-politics/vancouver-moves-to-end-homelessness/article2105855/> and

<http://www.theprovince.com/news/City+approves+homelessness+strategy+despite+concerns/5177719/story.html>

<sup>7</sup> *Étude d'impacts socio-économiques des entreprises d'insertion du Québec*, 2011,

[http://collectif.qc.ca/communications/pdf/Etude/Synthese\\_Etude\\_impactsEI.pdf](http://collectif.qc.ca/communications/pdf/Etude/Synthese_Etude_impactsEI.pdf)

<sup>8</sup> *Place-Based Poverty Reduction: How Community Economic Development is reducing poverty in Canada and how it could be doing more*, 2008, [http://www.ccednet-rcdec.ca/files/ccednet/Place-Based\\_Poverty\\_Reduction\\_Main\\_Report.pdf](http://www.ccednet-rcdec.ca/files/ccednet/Place-Based_Poverty_Reduction_Main_Report.pdf)

<sup>9</sup> *Initiatives pour développer l'achat public auprès des entreprises collectives*, 2011, <http://www.mamrot.gouv.qc.ca/grands-dossiers/economie-sociale/initiatives-pour-developper-lachat-public-aupres-des-entreprises-collectives/>

<sup>10</sup> *Community Benefits Agreement*, <http://buildingopportunities.org/hrservices/community-benefits-agreement.asp>

<sup>11</sup> *Building a Federal Policy Framework and Program in Support of CED*, 2011, <http://www.ccednet-rcdec.ca/en/node/10236>

implementation and monitoring of initiatives that respond to the economic, social, and environmental needs of local communities, while building capacity within those communities to take charge of their own development.

As steps to support community enterprises in Canada, we propose three recommendations to build capacity, increase market opportunities and enhance investment.

### **Recommendation 1: Build Community Enterprise Capacity through a National Youth Work Experience Program**

A national youth work experience program would support youth employment and build skills and leadership in the community enterprise sector. Targeted work experience placements to support community enterprise development with 300 youth over three years would facilitate employment entry into this growing sector, and support the development of new community enterprises addressing public policy priorities. Building on the Canadian CED Network's track record of similar programs, this would provide:

- High-impact labour market attachment for youth
- Strategic support for the community enterprise sector and new business development
- Contribution to the development of local services to meet community needs
- Efficient delivery by a national, bilingual non-profit on an economy of scale

The cost of this program would be \$6.2 million over three years.

### **Recommendation 2: Use Procurement to Support Community Enterprises**

The federal government should implement social value weighting in all tenders and include Community Benefit Agreements on all contracts above \$500,000. This process could be supported by a new Office of Social Value Procurement and Services (OSVPS). Modelled after Public Works and Government Services' Office of Greening Government Operations, the mandate of an Office of Social Value Procurement and Services would be to increase social value creation through and across government purchasing, service delivery and contracting. By initially evaluating and weighting the social and local value content of government tenders, the OSVPS would work with other Departments, particularly Finance, Industry Canada, and HRSDC to ensure the creation of social and local value across government purchasing and services.

Social Value is defined as weighting in favour of community enterprises with a social and local value creation embedded in all government contracting and purchasing. This would result in stronger local economies, increased local employment, and greater social inclusion of currently marginalized Canadian citizens, for example persons with disabilities, new immigrants, and youth at risk.

### **Recommendation 3: Establish the Canada Impact Investment Fund**

As recommended by the Canadian Task Force on Social Finance report *Mobilizing Private Capital for Public Good*,<sup>12</sup> in order to mobilize new capital for impact

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<sup>12</sup> [http://socialfinance.ca/uploads/documents/FinalReport\\_MobilizingPrivateCapitalforPublicGood\\_30Nov10.pdf](http://socialfinance.ca/uploads/documents/FinalReport_MobilizingPrivateCapitalforPublicGood_30Nov10.pdf)

investing in Canada, the federal government should partner with private, institutional and philanthropic investors to establish the Canada Impact Investment Fund. A federal investment of \$20 million per year (for five years) in first loss capital, to be matched by private, institutional and foundation investors in a fund-of-funds structure would kick-start the deployment of social investment capital in Canada. This fund would support existing regional funds to reach scale and catalyze the formation of new funds to support community enterprises across Canada.

## **Conclusion**

We all pay when Canadians live in poverty. Old approaches that treat the symptoms of poverty rather than the causes, and that don't invest in human development, are increasingly unaffordable and unjustifiable. They will never solve the problems facing us. Local initiatives across the country are demonstrating how coordinated community solutions that invest in people get better results and benefit all Canadians.

Community enterprises have an important contribution to make to a stable and equitable recovery from the economic downturn. Canada has a valuable opportunity to adapt and implement policies and programs that have proven successful both internationally and provincially here at home. These recommendations are practical steps that will allow communities greater flexibility to innovatively design local solutions to complex challenges of poverty, shrinking labour markets and fiscal constraints. Community enterprises harness the power of local leadership and community investment by building on existing assets. Community enterprises are an essential component of any plan to enhance prosperity and build a sustainable economic, social and environmental future. Federal economic and fiscal policy should remove barriers to community initiative, and support community enterprise.